

A668

CONGRESSIONAL RECORD — APPENDIX

February 9, 1966

NATIONS GO OWN WAYS

The delay in Surveyor indicated how much the space accomplishments or failures of each of the space-faring powers influence the other. There was talk of more international cooperation, but each nation went its own way.

There was vigorous display of one-up-manship. No sooner had the Communications Satellite Corp. orbited Early Bird to provide a TV and telephone relay between the United States and Europe than Russia orbited its communications satellite.

They called it Molniya I (lightning). It relayed color TV between Moscow and Vladivostok.

After Cosmonaut Alexei Leonov made the first space walk in March on the flight of Voskhod 2, Astronaut Edward H. White II took a longer walk on a longer tether during the June flight of Gemini 4.

The U.S. Air Force fired its mighty booster, Titan 3C with 2.5 million pounds of thrust. The Russians fired one with an estimated 4.2 million pounds, lifting a 13-ton satellite, Proton I.

PRESTIGE IN ORBITS

The race for whatever prestige space prowess confers upon a people was close in 1965. The Russians sent Zond II to photograph Mars but its electronics failed. They made no significant advance in manned space flight, except for the space walk.

With Gemini 5 and 7, the United States soared ahead of the Russians in the manned effort, chalking up new records in both man hours and vehicle hours in orbital flight. Ours was the first rendezvous between two piloted space vehicles.

Meanwhile, when Cape Kennedy closed down for Christmas, the first Apollo spaceship (unmanned) was being readied for its maiden voyage aboard a Saturn 1B in January. The Apollo program flight test program begins in 1966, as Gemini ends.

By the end of 1965, we were starting the last lap of the 9-year program to put men on the moon. There was every indication we would make the schedule unless the war in Vietnam bogged it down.

Why the United States-U.S.S.R. Consular Treaty Should Be Rejected

EXTENSION OF REMARKS

OF

HON. HAROLD R. COLLIER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 2, 1966

Mr. COLLIER. Mr. Speaker, Dr. Lev E. Dobriansky, who is a professor of economics at Georgetown University and chairman of the National Captive Nations Week Committee, has written a scholarly article on the proposed consular treaty between the United States and the Union of Soviet Socialist Republics.

Under leave to extend my remarks, I include a portion of the article, in which Dr. Dobriansky discusses two reasons for rejecting the treaty:

A PORTION OF AN ARTICLE BY DR. LEV E. DOBRIANSKY, PROFESSOR OF ECONOMICS, GEORGETOWN UNIVERSITY

V. THE VERY DIFFERENT DIPLOMATIC IMMUNITY

The preceding three reasons for nonratification of the pact received far less attention last August than the next two. Yet in the broader context of understanding the contemporary struggle, its prime sources of tension and long-run dangers to world peace, they carry greater weight than the next two

objections, which by themselves, of course, are adequate to justify nonratification. It is noteworthy how much more adept and knowledgeable the Chinese Reds are in utilizing essential facts concerning the inner Soviet Russian Empire, Soviet Russian imperialism, Moscow's russification program, and the captive status of the non-Russian nations in the U.S.S.R. than we are.²⁹ Their ends are different, but they at least do not accommodate the Russian totalitarianism in their worst features.

Contrary to the baseless contention that this consular convention is no different or is even slightly different from other conventions, the pact is very different not only in its relation to our prime enemy in the cold war but also in its incredible provision of diplomatic immunity to consular personnel for all crimes, including espionage.³⁰ It is sad enough that the treaty's assumptions and contents seriously depreciate our general political posture as a democratic free world leader, but this provision is an open invitation to Red subversion of our Nation. Every other existing convention grants immunity only from punishment for misdemeanors. The reader can now understand why I entitled an article on this subject "The Second Treaty of Moscow." The pact was made to order—in Moscow. Even our allies don't enjoy this unprecedented consular privilege.

In view of the concentrated discussion on this point last August, it is unnecessary to belabor it further. Mr. Leonard C. Meeker, the State Department's legal adviser, admitted in unqualified terms that this immunity from criminal jurisdiction "is not present in other consular conventions to the same extent."³¹ Mr. Meeker, who is under the illusion that some "Soviet national" animal exists, tried to moderate the immunity provision by pointing out that it "will extend only to those consular officers and employees who are agreed to by the two Governments."³² As though in actual practice this would make any significant difference.

The views expressed by opponents to the treaty in the Senate Foreign Relations Committee are quite firm on this immunity provision.³³ Publicized discussion of the point led many to the conclusion which one Senator put in these words: "It is this last section that is inimical with the best interests of the United States. It is the last section that clearly indicates that this convention was negotiated by the Soviets, not as a bilateral pact for improving Soviet-American relations, but as a cold war maneuver to enhance and expand the intelligence-gathering network of the U.S.S.R."³⁴

Mr. Rusk and others argue that the treaty would offer greater protection for Americans touring and visiting in the U.S.S.R. This protection argument, covering some 12,000 Americans annually, is supposed to counterbalance the lapse in it as concerns the immunity provision. Much is made of the notification and access provisions regarding arrests. Actually, this so-called Russian concession should have been demanded long ago on the purely ambassadorial level, and should be so demanded on the simple principle of reciprocity. U.S.S.R. representatives and tourists are accorded the privileges and benefits of our democratic criminal code; pure reciprocal relations would demand the same for our people. To hook the notification and access provisions as a notable Russian "concession" to the consular treaty indicates that our negotiators had already walked into the beartrap. It is as much a concession as a thief giving up stolen property.

VI. INTENSIFIED POLITICAL WARFARE IN THE UNITED STATES

Espionage was the leading word for the next popular objection to the treaty last August. Our FBI Director, J. Edgar Hoover,

Footnotes at end of speech.

was quoted at length in support of this criticism. In earlier testimony before the House Appropriations Committee, Mr. Hoover had emphasized that U.S.S.R. "consulates in many parts of the country * * * will make our work more difficult."³⁵ A later statement by him stressed the following: "One Soviet intelligence officer in commenting on the agreement spoke of the wonderful opportunity this presented his service and that it would enable the Soviets to enhance their intelligence operations."³⁶ So effective were these points that the President subsequently issued a directive to officials to support administration policies, aiming it particularly at Hoover.³⁷

There are several aspects to this sixth reason for nonratification that need some clarification: First, though public hearings were barred, it obviously behooved the Foreign Relations Committee to invite Mr. Hoover, as another Government witness, to testify on the pact. Surely he is far more qualified to discuss the likely espionage effects of the treaty than is Secretary Rusk. Second, it is certainly no strain on one's imagination to envisage the expanded opportunities for Soviet Russian espionage with consulates ranging cross-country from New York to Chicago and San Francisco.

However, considering the huge spy apparatus now maintained by Moscow in this country, one can rationally allow for only a relatively small increase in overall effectiveness with the presence of consulates. The economic law of diminishing returns applies in this field as in others. Doubtless the establishment of consulates would make Hoover's work more difficult, but it is doubtful that the condition as concerns espionage activity would be unmanageable. Moreover, as I argued elsewhere, spying is a two-way street. On the other hand, since alternatives for different diplomatic arrangements exist, there is no reason whatsoever to accommodate the Russians in this risky respect.

Especially is this so when a broader view is taken of Soviet Russian activity in this country. The problem entails more than just espionage. It can best be described as one of intensified political warfare, signs of which have already appeared in civil rights riots, campus agitation, peace demonstrations, overt U.S.S.R. embassy propaganda on the Watts riot,³⁸ and a variety of actions striking against civil and political authority. Strategically situated consulates would not only be additional spy nests but also active sources of conspiracy, propaganda, blackmail and intimidation against those with relatives in the Red Empire, and media for undermining ethnic and other anti-Communist groups. With the type of immunity offered them, they should make bold efforts along these lines.

Mr. Rusk and others talk glibly about our "open society" and the espionage risks we have to take. They fail to see the broader problem involved here, with long-arm ramifications extending to our actions in Vietnam, the Dominican Republic, and almost everywhere else. Regarding espionage solely, a more naive observation by the Secretary cannot be found than when he testified, "I do hope that the convention will reduce misunderstandings and particularly be of assistance in not letting private citizens, tourists, businessmen, exchange people, and others get caught up in the atmosphere in which this other type of problem arises."³⁹ Projected into the future, this type of uncritical thinking would virtually guarantee the closing of our open society.

²⁹ See "Sino-Soviet Border Potential Powder Keg," the Ukrainian Bulletin, New York, Apr. 1-15, 1965, p. 35.

³⁰ "Consular Convention With the Soviet Union," p. 12.

³¹ Ibid., p. 22.

³² Ibid., pp. 34-35.

February 9, 1966

CONGRESSIONAL RECORD — APPENDIX

A667

gram goal of a lunar landing in this decade. This thoughtful article does much to place in proper perspective the operational capabilities that have been achieved as the program progresses. The article follows:

NEXT BIG STEP IN SPACE: THE MOON

(By Richard Lewis)

This was the year the United States proved that a round trip to the moon of 8 days was physically tolerable to human beings.

It was a new discovery. Yet, the fact it was expected dulled its impact.

The entire Apollo program of landing two men on the moon and bringing them back was based on the assumption men could withstand the trip. That had been so since President John F. Kennedy had declared Apollo a national goal in 1961.

However, it remained for Astronauts Leroy Gordon Cooper, Jr., and Charles Conrad, Jr., to prove it on the 8-day flight of Gemini 5 in August.

Then, in the grand climax of a year filled with surprises and triumphs in space, the case was clinched by Astronauts Frank Borman and James A. Lovell, Jr., on their 14-day ride in Gemini 7 December 4 to 18.

There was the greatest American ride since Paul Revere. Gemini 7 was a shot not only heard but seen around the world by intercontinental television, another product of the space age.

THE SPIRIT OF '76

Further proof of the feasibility of the lunar voyage was provided by the spectacular rendezvous of Gemini 6 with No. 7. Astronauts Walter M. Schirra, Jr., and Thomas P. Stafford accomplished the task with such precision they made it look easy.

It was inevitable that the double mission of Gemini 7 and 6 should be linked with the spirit of '76. Symbolically, it showed that man could free himself from the ancient rule of Mother Earth and strike out for himself in the cosmos if he dared.

His physiology enabled him to adapt to weightless flight. By the fourth quarter of 1965, his technology enabled him to perform it for periods of time up to 2 weeks.

But would the American economy permit the National Aeronautics and Space Administration to pursue its goals to the Moon, to Mars and beyond?

With the escalation of U.S. military effort in the Vietnam war, it became obvious that expendable projects in space would have to be cut or deferred.

That was started as the year ended. The space agency dropped a \$39 million project to develop an advanced orbiting solar observatory.

ARGONNE PROGRAM CUT BACK

Development of the mighty M-1 engine, designed to deliver 1 million pounds of thrust from the combustion of hydrogen and oxygen, was shelved for a second time in 2 years.

Nuclear rocket development, proceeding at Argonne National Laboratory near Chicago, in the design stage, and at the Los Alamos Scientific Laboratory in New Mexico as actual hardware, was to be cut back.

Within the space agency, there was a determination to save Project Apollo at any cost and keep it moving on schedule. Not only was American prestige most intimately linked with it but by the end of 1965 the economic well-being of much of the South depended on Apollo and post-Apollo programs.

More than 300,000 men and women in 7 Southern States were on payrolls in Apollo as skilled workers, technicians, engineers, and scientists. It was the largest development program since men first fashioned a wheel.

In 1965, manned space flight ceased to be a stunt. In most segments of American society, it was regarded as bound up with tech-

nological development and national well-being.

FOR ENTERTAINMENT ONLY?

Even so, a commercial television network had equated the launch of Gemini 7, as a species of Saturday afternoon entertainment, with a college football game. Both were shown on the same screen.

There was a conspicuous failure here to distinguish between what is entertainment and what is history. The outlook which teamed Gemini 7's launch with the Penn State-Maryland football game December 4 might just as well have double-billed the siege of Pleiku and the Tonight Show.

Because of growing war, a failure in the Gemini program this year could have derailed Apollo.

The failure actually did appear October 25, when Gemini 6 was stalled on pad 19 by the blowup of its Agena target rocket, with which it was supposed to rendezvous and dock in a 185-mile orbit.

The McDonnell Aircraft Co. of St. Louis helped pull this blazing chestnut out of the fire. Its top engineers convinced NASA to compensate for the setback by a double flight of Gemini 6 and 7. NASA's boss, James E. Webb, sold the idea to President Johnson.

L.B.J. RUNS SHOW—AND WELL

If there was any doubt who was running the space program, it was resolved by this series of events. Mr. Johnson was running it. As matters turned out, he was running it mighty well. The debacle of October 25 became the smashing success of the Spirit of '76.

Ironically, the Agena that couldn't in October was merely a minor transformation of the Agena that could earlier in the year.

Agena is an upper stage rocket developing some 16,000 pounds of thrust. It fits on top of an Atlas intercontinental ballistic missile. The combination had scored the great successes of the lunar and interplanetary sweepstakes during 1965.

Following the success of Ranger 7 in 1964, Rangers 8 and 9 photographed the Moon's surface in February and March of 1965. Altogether, more than 20,000 brilliant photographs of the Moon were radioed back to Earth.

They showed what a few astronomers had always suspected—that the lunar surface was not the rough and jagged landscape Earth-based photographs suggested, but that contours were rounded and smooth and slopes were gentle. There had been erosion, perhaps from the solar wind that blows a stream of protons among the worlds.

The nature of the surface—dust, crushed rock or hard lava—continued to be a matter of debate. But striking evidence of volcanism appeared. The Moon was or had been dynamic, like the Earth, for there appeared great rills or splits in the surface showing movement.

BELIEVE MOON SURFACE OK

Despite the lack of surface definition from the Ranger photographs, a consensus developed among most students of the Moon. The surface would hold the weight of a spaceship like the ungainly, spider-legged LEM, or Lunar Excursion Module. Astronauts could land without sinking into a treacherous sea of dust.

The Atlas Agena had scored another brilliant success in boosting Mariner 4 to Mars. Launched November 28, 1964, Mariner flew past the Red Planet on the evening of last July 14.

The message it sent back to Earth startled the world of science. Cratered like the Moon, Mars, with only a wisp of an atmosphere, showed little signs it had ever developed living organisms, or could support them if it had at some earlier phase of its history.

Although it rotates as rapidly as the Earth

does, Mars displayed no magnetic field. This was interpreted as evidence it had no liquid nor any solid iron core, as the Earth has. It was different from the Earth. Mars was more like the Moon.

The 23 pictures Mariner sent back from Mars showing a desolate, lifeless looking landscape, rent and torn by crashing meteorites, evoked a new feeling of awe among scientific and political leaders.

LIFE UNIQUE?

When he saw the photos projected on a screen in the White House, President Johnson observed:

"It may be—it may just be—that life as we know it with its humanity is more unique than many have thought."

In several respects, the discovery of the Martian landscape eclipsed the feat of the Gemini program in orbiting 10 men during the year. And yet, it is to man that the space program is tied, not to machines.

For that reason the clamor of influential scientists calling for more emphasis on unmanned scientific satellites and less on manned orbital or lunar flights was ignored.

The biologists got their way with the activation of Project Voyager, the program to deposit a scientific capsule on Mars in 1971 with a life detector to see if bacteria might live there. The debate on whether there is primitive life on Mars illuminated half dozen scientific seminars.

ATMOSPHERE TOO THIN

The Mariner 4 data showed that the Martian atmosphere was too thin to soft-land a Voyager spacecraft by parachute. A braking rocket system would have to be built into the vehicle, significantly raising its weight.

That meant the Saturn 1B launch vehicle could not be used to boost Voyager to Mars. Instead, the booster would have to be the mighty Saturn 5, the moon rocket.

Using the Saturn 5 would greatly increase the cost of Voyager, from \$1.2 billion to possibly \$3.2 billion or more. The increase placed the program in jeopardy if the economy ax came down, as nearly everyone expected it would.

In the meantime, Russian experiences in trying to soft-land Lunik capsules on the moon showed that this feat was much more difficult than expected. Three Russian attempts failed during the year and made American project planners more cautious in starting their own lunar soft-landing project, Surveyor.

The first Surveyor, scheduled to ride to the moon aboard an Atlas-Centaur in the autumn, was postponed until 1966.

More work had to be done on the Surveyor landing system.

The Lunik crashes showed up a problem which engineers had suspected—ambiguity about the location of the lunar surface. Was the surface that reflected radar waves tens of feet below a layer of soft material that did not reflect?

Radar tells the Surveyor landing system computer where the surface is. The computer controls the firing of the braking rockets to slow descent. If the true surface does not reflect, radar cannot see it. Then the vehicle must crash.

Whether this was the reason for the Soviet crashes was speculative. No one knew. The problem of how to land softly on the moon was the major unsolved one in Project Apollo at the end of 1965.

Gemini had proved that the trip was physiologically feasible for men. The rendezvous of Geminis 6 and 7 had shown that the technique could be mastered. It is essential for the return. LEM lifts off the moon on the return journey and must rendezvous and dock with the orbiting Apollo spaceship for the voyage home.

The actual landing, soft-style was the next step in Apollo.

February 9, 1966

CONGRESSIONAL RECORD — APPENDIX

A669

³² "Consular Convention With the Soviet Union," minority views, Aug. 10, 1965.

³³ Senator NORRIS CORTRON, "The Consular Convention With the Soviet Union," CONGRESSIONAL RECORD, Aug. 26, 1965, p. 21185.

³⁴ "Consular Convention With the Soviet Union," minority views, p. 2.

³⁵ Ibid.

³⁶ "L.B.J. Policy Edict Tied to Hoover," the Washington Post, Aug. 21, 1965.

³⁷ "Top Soviet Intellectuals Castigate United States on Riots," the Washington Post, Aug. 22, 1965.

³⁸ "Consular Convention with the Soviet Union," p. 29.

Move Toward Vietnam Peace

EXTENSION OF REMARKS

OF

HON. JOE L. EVINS

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Thursday, January 27, 1966

Mr. EVINS of Tennessee. Mr. Speaker, President Johnson's effort to continue the peace offensive at the same time that he is protecting our commitment in Vietnam is discussed with great insight and perception in an editorial published in the New York Times last February 3.

The consideration of the Vietnam conflict in the United Nations opens new avenues for discussions and negotiations and brings to bear the prestige and influence of this international organization for a peaceful settlement.

Under unanimous consent I insert this editorial in the Appendix of the RECORD, believing it to be of broad general interest to my colleagues and to the Nation.

The editorial follows:

MOVE TOWARD VIETNAM PEACE

Despite the mountainous obstacles still to be overcome, the vote to place the Vietnam war on the agenda of the United Nations Security Council provides an opening for international action to move the conflict from the battlefield to the conference table. The formal debate that has been authorized is far less important than the informal consultations now opening to prepare for that discussion.

The objective must be to draft a resolution that can be adopted unanimously or, at least, will obtain a Soviet abstention. Moscow can be expected to use the threat of a veto to influence the shape of that resolution. Yet, there is reason to doubt that the Soviet Union will veto a responsible effort to bring about a negotiated settlement, even though it may feel obliged to stand aside initially.

What would a responsible effort comprise? No one is suggesting that the United Nations enter into the substance of the Vietnam dispute. Hanoi has just repeated its position that Vietnam "falls within the competence of the 1954 Geneva Conference on Indochina, and not of the U.N. Security Council." As Senator MANSFIELD pointed out yesterday, the task now is for other participants in the Geneva settlement to move to reconvene the Geneva powers.

France, as a key participant, has a special responsibility to join with Britain for this purpose, if Soviet reluctance rules out action by the two Geneva cochairmen, Britain and Russia. Nothing in the Geneva accords limits initiatives to the cochairmen. The challenge that faces the United Nations—and, particularly, the African nations that joined France in abstaining yesterday—is to find a

way around the obstacles that block a Geneva meeting.

What are those obstacles? The bombing of North Vietnam is one. But the United States already has suspended that bombing on two occasions. It may be surmised that Washington would not have initiated a United Nations debate were it not prepared to suspend the bombing again, if prospects for a peace conference could thus be improved.

The chief bar to a new Geneva conference is the refusal of Hanoi to participate unless its Four Points are accepted and the United States agrees "to recognize" the Vietcong's National Liberation Front. But Hanoi maintains that the Four Points are nothing but "a concentrated expression of the Geneva accords"—accords the United States supports.

Hanoi's insistence that the Liberation Front is the "sole genuine representative" of the South Vietnamese people has all the outward marks of a bargaining maneuver to obtain maximum status for the Vietcong in the negotiations. The right to attend a reconvened Geneva conference cannot—by this maneuver or any other—be denied to the Saigon Government, which attended not only the 1954 conference but also the one on Laos in 1962. Both groups will have to be represented.

A Security Council resolution could well combine a request for suspension of the bombing of North Vietnam with a proposal that France, Britain and the African members consult the Geneva participants on a way out of the impasse. It could also call upon the International Control Commission in Vietnam to assemble the military commanders of all the combatant forces on the ground in South Vietnam to discuss a cease-fire.

Such a move, if successful, would open direct contact between the major political as well as military forces in South Vietnam—the South Vietnamese Army and the Vietcong. And they undoubtedly would have to discuss a political settlement along with a cease-fire, since the two are inextricably intertwined in any guerrilla war.

A resolution of this type could not be opposed by Washington, which has expressed its willingness to discuss a cease-fire prior to a Geneva conference or as the first order of conference business. It would be difficult for Moscow to veto such a plan, even if Hanoi's reluctance to go to a conference prevents an affirmative Soviet vote.

This is not the only resolution that could help advance negotiations on Vietnam. Now that the United Nations has been brought into the Vietnam conflict, the way is open for fresh minds and the freest exercise of diplomatic ingenuity. Peace is a world responsibility; the U.N. was created to fulfill that responsibility. Vietnam could become its finest hour.

In Your Interest

EXTENSION OF REMARKS

OF

HON. WILLIAM F. RYAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, February 9, 1966

Mr. RYAN. Mr. Speaker, during the last session of the Congress I again introduced a truth-in-lending bill that is designed to protect would-be borrowers or credit users from some of the machinations practiced by moneylenders.

At the present time the borrower is too often victimized by unscrupulous lenders

who engage in wily subterfuge in stating the nature of finance charges and interest rates.

I hope that favorable consideration will be given to my bill H.R. 8332 so that the would-be borrower is dealt with truthfully and honestly by those who lend money or extend credit.

I recommend to my colleagues the following article on lending practices which has been prepared by the Industrial Union Department, AFL-CIO:

IN YOUR INTEREST: THE NEED FOR THE "TRUTH IN LENDING" BILL

"I recommend enactment of legislation requiring all lenders and extenders of credit to disclose to borrowers in advance the actual amount of their commitment and the annual rate of interest they will be required to pay.

"The antiquated legal doctrine, 'Let the buyer beware,' should be superseded by the doctrine, 'Let the seller make full disclosure.'"—President Lyndon B. Johnson, in his message to the Congress, "The American Consumer," 1964.

"Excessive and untimely use of credit arising out of ignorance of its true cost is harmful both to the stability of the economy and to the welfare of the public. Legislation should therefore be enacted requiring lenders and vendors to disclose to borrowers in advance the actual amounts and rates which they will be paying for credit."—President John F. Kennedy, March 15, 1962.

Had any debts lately? Of course you have if you are like most Americans. But do you know how much interest or other financing costs you are paying for those loans and installment purchases?

If you do know, then chances are you are paying only a half or a third as much in financing costs as the person who doesn't know the rate of interest he is paying, according to a recent study. This study showed, for example, that among persons who had taken out loans for \$500 or less, those who were told or took the trouble to find out the true interest rate charged were paying only 12 percent, while those who did not know the rate they were charged, actually were paying 37 percent. Just knowing makes a big difference. Do you?

TRUE RATES

The true annual interest rate isn't always what you think. Do you know, for example, that:

The 3-percent-per-month plan of small loan companies is really 36 percent per year?

The 4½ percent new car financing plan of some commercial banks is really 9 percent per year?

The advertised 5-percent rate on home improvement loans is not less than a 6 percent first mortgage, but nearly twice as much, or almost 10 percent per year?

The so-called 6-percent rate for financing used cars offered by some dealers is at least 12-percent per year and sometimes very much higher—18 to 25 percent per year or more?

The cost of teenage credit now being promoted by some retailers as only "pennies per week" is sometimes as high as 80 percent per year?

Don't feel bad if these facts puzzle you. Another recent study revealed the shocking news that at least 4 people out of every 10 don't know how much they are paying in credit charges. But this study was only of persons with college educations. Probably closer to 8 out of 10 don't know the rates of interest they are paying.

Unfortunately, it is frequently very difficult for you to find out the true cost of what you pay to borrow money or to buy on an installment plan. You know how it goes. You and the family really want that new TV or that late model automobile. By the time you get to looking seriously, you want it and need it right then—not later after you have

February 9, 1966

taken the time to read the fine print in the sales contract. And the salesman or loan official makes those small monthly payments sound like a "breeze" to repay. Then, after you think, "I must have paid that off by now," and the bills still keep coming, you may wonder how much that purchase really cost in credit charges.

EAGER BORROWERS

Consumer credit has become one of the Nation's biggest businesses. Nearly everybody is a consumer of credit. Long-term consumer debt, primarily in the form of home mortgages, now amounts to more than \$209 billion while short- and intermediate-term consumer debt is \$83 billion, or a total of \$292 billion. This is almost the size of the entire national debt.

What is even more startling is the dramatic rise in consumer debt in the last 20 years. Long-term consumer debt has increased 1,123 percent during that time; short- and intermediate-term consumer debt has increased 1,449 percent, while the national debt has increased by only 18 percent. To make the comparison another way, if the Federal Government had increased its debt at the same rate as the American consumer increased his, the national debt would be nearly \$3 trillion.

Perhaps the most striking figure of all, however, is the interest paid on consumer debt. The interest payments on long-term consumer debt are conservatively estimated at \$11 billion a year, while short- and intermediate-term debts account for at least another \$11 billion a year. Thus, the American consumer, with a total debt slightly less than the national debt, is paying at least \$22 billion a year in interest, or nearly double the annual interest charge on the national debt.

TOTAL OF 229 PERCENT PER YEAR

A U.S. Senate subcommittee, under the chairmanship of Senator PAUL H. DOUGLAS, of Illinois, recently held investigative hearings in Louisville, St. Louis, Pittsburgh, and Boston to learn the practical effects of borrowers not knowing the cost of credit. These are only a few typical cases which witnesses described to the subcommittee:

A man in Jersey City bought a TV set for \$123.88. He was given a coupon book which called for 24 monthly payments of \$17.50. The interest rate turned out to be 229 percent per year, or more than twice the cost of the TV for interest alone. What is even more tragic, he had to keep up the payments or lose his job.

A housewife on the Lower East Side of Manhattan purchased a couch from a door-to-door salesman for \$300. The payments were set at \$12 every 2 weeks for 2 years. The total interest charge was thus \$324 and the annual rate was 107 percent, although not a word of this was mentioned at the time of the sale.

A New Jersey bus driver borrowed \$1,000 from a small loan company. He was told the interest rate was 4.5 percent. The actual rate turned out to be 29.5 percent, or more than 6½ times the claimed rate. Had the borrower known this at the start, he said, he would have dealt with a lower cost lender.

A similar case occurred in Pittsburgh when a witness testified that he borrowed \$900 from a small loan company and was told that his monthly payments would be \$58.10 for 24 months. The interest rate in this case was 52 percent per year.

Another New York witness bought a television set on credit for 30 months. The interest rate on this transaction turned out to be 143 percent. The committee asked the witness whether she would have signed the contract if she had known the interest rate. The witness replied, "Never in my life."

Testimony before the committee also revealed that Negroes and Puerto Ricans in New York were systematically and auto-

matically charged a higher rate of interest, regardless of their individual credit standing.

NOT JUST THE POOR

These examples and hundreds like them have been disclosed which show how not only the poor and the wage earners but salaried, middle class, and very well educated Americans are often misled when they borrow or buy on time. Recent investigations disclosed a very sorry field of deception in the case of college education loans. While Federal education loans are available for 3 percent and various State plans run from 3 to 6 percent, Senators were shocked to learn that some of the private loan plans which are offered to students and parents by our leading colleges and universities involved an interest rate as high as 60 percent per year. Interest rates on "low-cost education loans" frequently ran from 26 to 54 percent a year.

Or consider the facts revealed during a 1965 hearing before the House Banking and Currency Committee about a small-loan finance company which has systematically bilked our American servicemen. This company specialized in auto loans and masqueraded under an official-sounding name as though it were a Government agency. It charged interest rates as high as 100 percent over a 2-year period. It also added an excessive charge for insurance which sometimes didn't even exist.

TRICKS OF THE TRADE

Consumers simply do not know what rate of interest they are being charged on an installment purchase or small loan. This brings terrible and sometimes tragic burdens on people and their families. Most of the blame for this lies not just, or even primarily, in the ignorance of the buyer. The responsibility, as Mr. DOUGLAS' Senate hearings have shown, lies with the confusing practices of the seller.

An economist who is a top executive with one of the largest automobile manufacturing companies once told a Senate committee:

"The variety and complexity of finance and insurance arrangements and the charges for them are such as almost to defy comprehension. It is impossible for the average buyer to appraise the rates for finance and insurance services offered, as compared with alternatives available elsewhere."

A credit union manager with many years of experience in the lending field vividly described the dilemma of today's consumer. He said:

"The average borrower is caught in a wonderland of credit where percentages multiply and divide at will, where finance charges materialize on command and fees are collected on the way out; where sharp practices and rackets not only inflate the costs of credit, but also impose enormous financial hardships on the debtor, particularly those who can least afford it."

Consider some of the practices used by many lenders which the DOUGLAS subcommittee has uncovered and described after 5 years' study.

No rate quoted

Often no rate at all is quoted to the consumer. This is the simplest and most direct method of obscuring the cost of credit. The borrower is, for example, merely told that he will pay \$10 down and \$10 a month. Neither the total finance charge nor the interest rate is evident. Unless the borrower is a persistent questioner and skillful mathematician, he will not discover the true facts.

The add-on rate

The borrower is told that the finance charge will be \$6 on a 1-year, \$100 loan, repayable in equal monthly installments. The lender represents this to be a 6-percent loan, but such a claim is merely a play on the number 6. The actual rate is almost 12 percent, or nearly double the stated rate, because the borrower is constantly repaying the loan over the year and does not have

the use of the \$100 for a full year. His average debt over the year is only about \$50. In other words, the interest rate is quoted on the original amount of the debt and not on the declining or unpaid balance as is the custom in business credit, government loans, or mortgage transactions. In reality the borrower is asked to pay interest on amounts he has already repaid.

The discount rate

This is a variation of the add-on rate. In the case of the add-on, the borrower receives \$100 in cash or goods and must pay back \$106. In the case of the discount technique, the consumer "borrows" \$100 but only receives \$94. The finance charge again is \$6 and is often represented as being 6 percent interest. Again, the actual rate is slightly more than 12 percent, or twice the quoted rate because the borrower is periodically repaying the loan.

A simple monthly rate

This rate statement method is usually quoted by small loan companies and by retailers using revolving credit plans. The finance rate is represented as being 1, 2, 3, or 4 percent per month. The true annual rate in this case is 12 times the quoted figure, or 12, 24, 36, or 48 percent per year. If the interest is based upon the unpaid balance at the end of each month. If it is based upon the entire original amount of the loan which is being gradually repaid, the simple annual rate is approximately 24 times the quoted figure, or in the illustrations cited 24, 48, 72, or 96 percent per year.

"Loading the camel"

Sometimes lenders compound the camouflaging of credit by loading on all sorts of extraneous charges, such as exorbitant fees for credit life insurance and excessive fees for credit investigations, processing, and handling. These charges are a cost of doing business, and should rightfully be figured in with the interest or finance charges. By excluding them in a separate list, the interest rate can be superficially reduced. When these charges are separated from the interest, a comparison of the cost of the credit with other rates becomes impossible. This, of course, could be the purpose of all this sleight of hand in the first place.

Some dealers are even unwilling to use the word "interest." They prefer to call it a "small monthly charge."

TRUTH-IN-LENDING BILL

The confusion—and subterfuge—which characterizes the world of credit, along with his concern for the effect on the economy of the tremendous growth in consumer credit, led Senator DOUGLAS to propose, with the cosponsorship of many of his Senate colleagues, his truth-in-lending bill. The purpose of the bill is simply to give the consumer the truth, the whole truth, and nothing but the truth about the charges he is asked to pay when buying on time or taking out a loan.

In brief, the truth-in-lending bill requires that anyone who lends money or extends credit must supply the would-be borrower or credit user with two simple but vital facts:

First: A statement of the total finance charge in dollars and cents; and
Second: A statement of the finance charge expressed in terms of a true annual rate on the outstanding unpaid balance of the obligation.

The bill does not attempt to regulate or control the rate of interest or the cost of credit.

The bill would enable the typical consumer to compare the cost of credit from various sources and make an intelligent decision. It would also assist him in deciding whether or not to borrow, pay cash, or save toward the purchase instead.

Suppose, for example, a man wants to borrow \$1,500 to finance the purchase of a car. Assume he goes to two lenders and the